

China And The U.S. :Frenemies With Benefits

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Depending on which columnist you follow or which headline writer you trust, this month is either the month that the Chinese economy officially [overtook the US](#) to become the world's largest, [or it isn't](#). The quibbling comes after the latest data dump from the IMF tallying the GDP of the world's economy. [According to the data](#), China's economy just leapfrogged the US with an estimated 2014 output of \$17.6 trillion to America's \$17.4 trillion, representing 16.5% of the global economy vs. 16.3%.

The catch? These GDP figures are based on [purchasing-power parity](#) (PPP), an economic measure that compares output in real terms, ignoring exchange rate fluctuations. Traditionally, global GDP figures have been calculated in US dollar terms to paint a more accurate picture of how much a country's economy is "worth" on the global market. When measured in these terms, not much has changed. The US is still the world's largest economy, with 22% of global GDP, the Eurozone as a whole is second with 17%, and China comes in third at a respectable (but still lagging) 11%.

Regardless of these numbers or the trends that underlie them (no one denies that the emerging economies of Asia are growing in importance on the global stage or that China is on pace to overtake the US economy given current growth rates), perhaps the real story is the way it was reported in the first place. Breathless headlines boldly proclaiming that "[The American Century \[has\] come to an end](#)" (quick! someone tell [PNAC](#)!) or purporting to explain "[what's really scary](#)" about this development seem to bolster a narrative that we've been hearing for a long time now (and all the more of late): China is the US' main rival, and the competition may not be so friendly.

This is, of course, the New Cold War narrative, and although a lot of the attention has been shifted onto Russia this year, China has for years been painted as the new Red menace for the 21st century. At the surface level all the pieces seem to be in place: an unfamiliar language and culture; a population that in sheer numbers dwarfs that of the US; a totalitarian one-party government; a growing military capacity; cheap labor; and a seemingly unstoppable drive to take America's place as the world's economic superpower. And so the pieces of the "New Cold War" narrative have been carefully put into place over the past decade: [China is taking over Africa](#); China's [Navy](#) and [Air Force](#) represent a threat to American [allies](#) and [interests](#) in the Pacific; China is hacking into American [businesses](#), and even the [US government itself](#); and China is creating an alternative [economic](#) and [financial](#) infrastructure to unseat the US as the world's undisputed economic superpower and world reserve currency issuer. Meet the new boogeyman (same as every boogeyman before it).

Despite the tenor of that previous paragraph, it should be noted that there is some degree of truth to



each one of these claims. In a sense, the "New Cold War" is a real phenomenon. But as listeners to my recent podcast on "[China and the New World Order](#)" know, there is a broader story to be told here, one in which this battle of the nation-states is itself just the product of a manipulation that is taking place at a higher level. This manipulation is being produced by a global oligarchy that includes members of both the traditional establishment (Rockefellers, Rothschilds, Warburgs, etc.) and their supposed Chinese "enemies" (Dengs, Wangs, Chens, etc.).

So what does this actually mean? After all, as we've already said those tensions and rivalries in the "New Cold War" narrative do have some truth to them and they are taking place. Does it matter if the banksters and their cronies are all connected behind the scenes? Well of course it does. Take some interesting developments from just the past few weeks by way of example.

Earlier this month the 7th China-US Internet Industry Forum took place in Washington. As [CCTV reports](#), the event brought together "over 150 government officials, industry leaders and academics to discuss the reality and prospects of cooperation on cyber issues between the two countries." The keynote speakers? Catherine Novelli, US Undersecretary of State for Economic Growth, and Lu Wei, Minister of the Cyberspace Administration of China. While this all sounds very innocuous, it should be noted that CCTV (unsurprisingly) fails to point out that Lu Wei is [responsible](#) for some of the most draconian censorship in one of the most heavily controlled countries on the planet. Since taking the position, he has [begun a crackdown](#) on what was already one of the most severely censored internet populations in the world, [reining in](#) the country's social media outlets and overseeing a system where those deemed to be responsible for spreading "false rumors" about the government online [can be jailed](#).

So did Novelli use this opportunity speaking with her New Cold War counterpart to stand up for the good old American values of free speech and freedom of expression that supposedly underpin the West's thriving "democracies?" Hardly. She instead urged deeper US/China cooperation on their "common interests on cyber issues." What "common issues" could those be other than the urge by both governments to censor, control and crack down on online dissent? Did she use her soapbox at the forum to chide American companies like Yahoo, Google and Microsoft operating in China for playing along with draconian Chinese censorship rules? Fat chance. The event was co-sponsored by Microsoft itself along with the "[Internet Society of China](#)," a "non-governmental" organization which is "supported" by Chinese government ministries in creating "[self-disciplinary regulations](#)" for the Chinese internet in which companies like Microsoft "voluntarily" agree to prevent the online spread of any information that Chinese authorities disapprove of.

This phony US/China rivalry couldn't be more transparent if a high-ranking US politician got on national television and demanded that the American government implement Chinese-style censorship controls on the internet. Oh, wait, Joe Lieberman did exactly that in 2010.

Joe Lieberman U.S. needs Internet kill switch like China VIDEO BELOW

<https://www.youtube.com/watch?v=ttvuSqaxF-c>

Joe Lieberman U.S. needs Internet kill switch like China

(And let's not forget when Jay Rockefeller said it would have been better if the internet [had never existed](#).)

But this is only one example of how the supposed US/China rivalry isn't such a rivalry after all. Another case in point, as we pointed out in these pages last week, is that the biggest winner in the current oil price nosedive (initiated by the Saudis at the behest of the US) is not the US at all, but [the Chinese](#). Fears of a supply glut caused by OPEC overpumping are being dispelled by the gradual realization that China, already the world's largest oil importer, will simply increase imports in an effort to boost reserves. Forecasts show that China may boost its oil imports by as much as 700,000 barrels a day next year, accounting for more than half of the projected glut. The current craziness on the oil markets is like manna from heaven for the Red Dragon economy, which has openly talked about expanding its reserves from current levels (the equivalent of 30 days' imports) to 100 days' worth of imports in the next 6 years. It's almost like the US is giving its frenemy a hand out to help make [Kissinger's prediction](#) that hydrocarbon wars will drive international conflict in coming years a self-fulfilling prophecy.

There are any number of similar events in the headlines that point to this deeper connection. Just last week the US Air Force confirmed it is looking into [sending satellite data](#) directly to the Chinese government instead of routing that data through the State Department as is current practice. Earlier this month it was revealed that NASA Administrator Charles Bolden made an [unannounced and unreported visit](#) to China last month to meet Xu Dazhe, director of the China National Space Administration, where the two "agreed to strengthen communications and exchanges," And who can forget last month's much-ballyhooed [US/China climate deal](#) (although you might not have heard that [military agreements](#) were signed at the same time)? The point should be obvious to anyone who watches the news with this viewpoint in mind; far from mortal enemies in a winner-takes-all deathmatch for the global economy, the US and China cooperate on key issues across the board. Anyone who needs further elaboration on this cooperation or the players behind it need only refer to my [above-mentioned podcast](#).

But the question is: what is the point of this collaboration and what is it aiming at? Is it merely a vehicle for the further enrichment of the oligarchy? Is it just about money? Surely there is money to be made at every stage of this rigged contest: military-industrial contractors are directly and undeniably profiting from the increased tensions in the Asia-Pacific; China continues to receive an enormous influx of investment and capital from US firms setting up branches in their country as the US-based megacorporations benefit from cheap Chinese slave labor goods; the [Rockefeller-Kissinger-establishment connected](#) Citic Group is now expanding apace after having effectively [gone public](#) earlier this year. Business is good for the [Maurice Strong](#)s and [Desmarais](#) and other elite insiders who began setting up shop in China decades ago.

But this isn't primarily about money. After all, the banksters at the top of the power pyramid have all the money they could ever want at their virtual fingertips. They can just type it into existence. At the end of the day, this isn't about money but power. The "great conflict" of the 21st century is going to be used for the same purposes as the great conflicts of the 20th century: to steer the world ever further into a global governmental system that consolidates and expands the power of these oligarchical interests, whether they be "American" or "Chinese" or "assorted other" (as if the global jetset really cares what country's emblem is stamped on their passports).

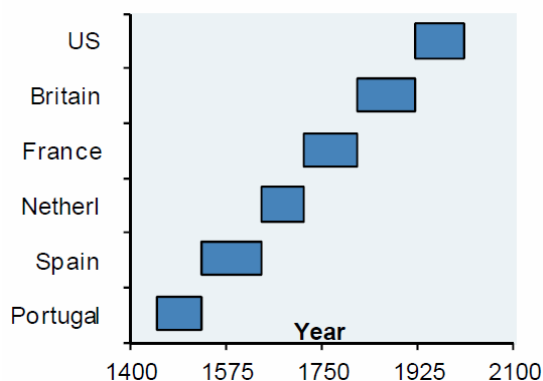
A window into this fact is provided by a revealing Bloomberg report released yesterday: "[Yuan Has Real Shot at IMF Blessing on Reserve Status](#)." The report details how the IMF will be reviewing the make-up of its Special Drawing Rights (SDR) basket of currencies next year and how the Chinese yuan is at the top of the list to be included in that basket. SDRs are a type of "currency" issued by the IMF and held as foreign exchange reserve assets by central banks. The SDR (ISO currency code: XDR) is actually a claim that can be redeemed in one of four currencies which represent the world's major

reserve currencies: the US dollar, the Japanese yen, the Euro and the British pound.

Every five years, the SDR "basket" is reviewed to see if it needs to be adjusted, either in valuation or composition. The Chinese central bank began lobbying for the yuan to be included in the SDR basket in the wake of the Lehman collapse, but the 2010 basket review concluded the currency was unsuitable for inclusion because, although it was a rising currency in international trade at the time, it was not seen to be "freely usable." In the past five years the world has seen the rise of a yuan that is now the [second most used currency](#) in international trade settlement, undergirds a growing [Dim Sum bond market](#) that is currently valued at over \$120 billion, and is freely traded in [Hong Kong](#), [Singapore](#), [Frankfurt](#), [London](#) and elsewhere.

Now the IMF confirms that the yuan is going to be a priority for assessment when the SDR basket review takes place next October. In an email to Bloomberg, they write: "there have been a number of developments regarding the RMB's international use, and the upcoming review would take stock of these developments."

(c37) Reserve currency status does not last forever



If the yuan is added to the SDR basket next year then we will be one step closer to a development that we've been talking about here at the [Forecaster](#) for years and will likely be tracking for years to come: the dethroning of the US dollar as the world reserve currency. What is significant about this emerging development is not so much that the US is descending in power and China rising as the global economy shifts, but the way in which that shift is taking place. If these trends continue, for the first time in history we will NOT be living in an era dominated by a clear-cut imperial power controlling a world reserve currency (Pax Americana in the 20th century or the British Empire before them or the French before them or the Dutch before them or the Spanish before them...) but a

multipolar world where unaccountable global institutions like the IMF will be the key determinants of our economic life. This is a clear step toward the globalized vision of the one-world-order oligarchs who are pupeteering the governments of China, the US, and most other countries in our modern era. And it is not a step that is taking place randomly or by accident.

As the US/China "rivalry" heats up in the coming years, each nation-state in this contest has a part to play. The US is the aging, bloated empire, increasingly paranoid about defending its former glories and using up its political, military and economic capital at an ever faster pace in order to do so. The Chinese, meanwhile, can preach about the virtues of the ["de-Americanized world"](#) and be the good guy in the Good Cop, Bad Cop scenario with their 'alternative' (globalist) development banks and (globalist) ratings agencies and (globalist) financial bodies. Regardless of who "wins" this conflict, globalist institutions and financial structures will continue to grow in power and importance, exactly as planned. It's a nearly perfect trap. There is only one thing that can stop it: an informed public. And how exactly can we do that? Well, that's a question for next week...

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